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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 000430

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TAGS: [PREL](#) [ECON](#) [KWBG](#) [IS](#) [GAZA](#) [DISENGAGEMENT](#) [ISRAELI](#) [PALESTINIAN](#) [AFFAIRS](#)

SUBJECT: JUSTICE MINISTRY DG PROVIDES DISENGAGEMENT UPDATE

Classified By: DCM Gene A. Cretz for Reasons 1.4 (b,d)

Summary

1. (C) Looking visibly tired, Justice Ministry DG Aaron Abramovich updated Economic Counselor and Deputy on the "hectic" period ahead on disengagement. He said he and his team were about to embark on a week of intensive consultations with the Finance Committee Disengagement Subcommittee prior to what he hoped would be an early February Knesset vote on disengagement legislation.

2. (C) During the meeting, the DG noted that:

- Negotiations with the Knesset were going well, but that a large number of issues remained outstanding;
- MoJ was currently estimating civilian costs of disengagement at NIS 3 billion;
- The settlers were pushing to triple this amount;
- The GOI is aiming for disengagement to be completed by July;
- MoJ was working to provide settlers "choice" by offering a number of compensation packages;
- Time was running out to establish a marketplace to bring sellers and Palestinian buyers of settlement assets together;
- Settlers still believed something mystical would happen to forestall disengagement. End Summary.

Emotional Work with the Settlers/Knesset

3. (C) Abramovich said the subcommittee, headed by Labor Party MK and former Finance Minister Beiga Shochat, was comprised of "very experienced professionals" with whom he was having a "good ... dialogue." Abramovich said many of the meetings included representatives of settler groups; These meetings tended to be "very emotional." The settlers, all of whom were strenuously opposed to disengagement, were pressing for a massive increase ("a tripling") in compensation amounts. At this point, the GOI was estimating that the civilian component of disengagement totaled NIS 3 billion; the question now was how high the final figure would go. Abramovich stressed the complexity of these negotiations, involving as they do the GOI, settlers, settler lawyers, and Knesset members, all with differing agendas. Abramovich is working under a tight timeline: he wants to move directly from a successful Knesset vote to the Cabinet, and then to a five-month preparation period leading to a completed disengagement process by the end of July.

4. (C) The Justice DG outlined just some of the legislative details requiring final Knesset agreement. Who will actually "do" disengagement? The police? The army? In what order will the settlements be evacuated? Do you punish residents who refuse to move? If so, in what way? The latter set of questions was particularly sensitive; Abramovitch assumes "many won't go -- people will be pulled out of their homes on the last day..."

Settlers' Choice

5. (C) Abramovich outlined the biggest compensation categories: dwellings, businesses, workers, cooperative societies, and public institutions. Justice aimed to provide the settlers with a set of standardized compensation packages. There are two basic options on dwellings: the first is completely standardized and based on the length of time a dwelling was owned and how much its construction cost.

If the owner lived in the property herself no later than June 6, 2004 she would also receive money for land on which it sat, based on the value of a comparably sized land parcel located in a non-central area of Green Line Israel. Under what he called the "golden faucet" option, a homeowner could argue that his home was in some way special and request a formal assessment of its value. Business owners could decide whether they wanted to base their compensation on the property value of their business or on the revenue value.

A Lost Opportunity

16. (C) Abramovich expressed concern over the lack of preparations for enabling the transfer of property and businesses to Palestinians. The GOI had decided to offer the same level of compensation to settlers regardless of whether such a sale was made in order to encourage such transfers to take place (Note: In other words, settlers had nothing to lose by making a sale to Palestinians). The DG said that, for these sales to become general practice, there would have to be an efficient way to bring buyers and sellers together through the establishment of a marketplace. As far as Abramovich knew, no one had worked to establish such a marketplace, including the World Bank. He felt such a mechanism would be especially effective for businesses in Erez, and admitted it probably would make little difference for other businesses as "these decisions will be made on ideological grounds, not profit-loss calculations."

Tax-Evading Settlers Exposed

17. (C) Abramovich noted a couple of the many details involved in establishing compensation. Although Justice was trying to give fair value by using an average of five years of tax returns to establish a fair market value for a business, the question arose of what to do with those settlers who had not been declaring the entirety of their revenues. Abramovich noted the calculation of home values was also complicated by the fact that the official value had to be based on legal construction permits alone.

Waiting for God

18. (C) Abramovich hoped rapid movement on the compensation legislation would allow the GOI to begin compensation payouts as early as mid-February. He said he did not expect many to request such compensation: "The settlers are convinced something will change -- God will intervene -- and disengagement won't happen. Perhaps they'll change their mind when the legislation passes, but I doubt it."

Trade Issues: We're out of It ... for Now

19. (C) At the end of the meeting, EconCouns raised a number of trade issues, including data exclusivity and copyright reform. Abramovich noted that action on these issues had moved to the Trade Ministry (MOIT) approximately six months ago but hinted the new Justice Minister wanted to get the ministry involved again. "Check back with me in a couple of weeks to see if I'm involved again..."

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